

**MID-MICHIGAN COMMUNITY FIRE BOARD  
GRATIOT AND MIDLAND COUNTIES,  
MICHIGAN**

**Financial Statements**

**For the Year Ended June 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# MID-MICHIGAN COMMUNITY FIRE BOARD

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## **INDEPENDENT AUDITORS' REPORT**

December 29, 2008

Fire Administrative Board  
Mid-Michigan Community Fire Board  
Gratiot and Midland Counties, Michigan  
Saint Louis, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Mid-Michigan Community Fire Board**, "Fire Board," as of and for the year ended June 30, 2008, which collectively comprise the Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Mid-Michigan Community Fire Board's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **Mid-Michigan Community Fire Board**, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board has not presented Management's Discussion and Analysis ("MD&A") as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the basic financial statements.

## **BASIC FINANCIAL STATEMENTS**

**MID-MICHIGAN COMMUNITY FIRE BOARD**  
**GRATIOT AND MIDLAND COUNTIES, MICHIGAN**  
**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
**June 30, 2008**

|  | <u>General Fund</u>         | <u>Adjustments</u>          | <u>Statement of<br/>Net Assets</u> |
|--|-----------------------------|-----------------------------|------------------------------------|
| <b>Assets</b>  |                             |                             |                                    |
| Cash and cash equivalents                            | \$ 221,881                  | \$ -                        | \$ 221,881                         |
| Restricted cash                                      | 30,159                      | -                           | 30,159                             |
| Accounts receivable                                  | 3,628                       | -                           | 3,628                              |
| Prepaid items  | 1,016                       | -                           | 1,016                              |
| Capital assets, net of depreciation                  | -                           | 401,314                     | 401,314                            |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>        |
| <b>Total assets</b>                                  | <u><u>\$ 256,684</u></u>    | <u>401,314</u>              | <u>657,998</u>                     |
| <b>Liabilities</b>                                   |                             |                             |                                    |
| Accounts payable                                     | \$ 6,339                    | -                           | 6,339                              |
| Accrued liabilities                                  | -                           | -                           | -                                  |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>        |
| <b>Total liabilities</b>                             | <u>6,339</u>                | <u>-</u>                    | <u>6,339</u>                       |
| <b>Fund Balance/Net Assets</b>                       |                             |                             |                                    |
| Fund balance   |                             |                             |                                    |
| Unreserved - designated for equipment<br>replacement | 101,130                     | (101,130)                   | -                                  |
| Unreserved   | 149,215                     | (149,215)                   | -                                  |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>        |
| Total fund balance                                   | <u>250,345</u>              | <u>(250,345)</u>            | <u>-</u>                           |
| Total fund balance and liabilities                   | <u><u>\$ 256,684</u></u>    |                             |                                    |
| <b>Net assets</b>                                    |                             |                             |                                    |
| Invested in capital assets                           |                             | 401,314                     | 401,314                            |
| Unrestricted   |                             | -                           | 250,345                            |
|  |                             | <u>                    </u> | <u>                    </u>        |
| <b>Total net assets</b>                              |                             | <u><u>\$ 401,314</u></u>    | <u><u>\$ 651,659</u></u>           |

The accompanying notes are an integral part of these financial statements.

**MID-MICHIGAN COMMUNITY FIRE BOARD  
GRATIOT AND MIDLAND COUNTIES, MICHIGAN  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the year ended June 30, 2008**

|   | <u>General Fund</u>      | <u>Adjustments</u>       | <u>Statement of<br/>Activities</u> |
|---|--------------------------|--------------------------|------------------------------------|
| <b>Revenues</b>                               |                          |                          |                                    |
| Charges for services                          | \$ 210,600               | \$ -                     | \$ 210,600                         |
| Federal grant                                 | 6,639                    | -                        | 6,639                              |
| State grant                                   | 1,552                    | -                        | 1,552                              |
| Interest and rent                             | 5,688                    | -                        | 5,688                              |
| Donations                                     | 2,686                    | -                        | 2,686                              |
| Other   | 38                       | -                        | 38                                 |
|   | <u>227,203</u>           | <u>-</u>                 | <u>227,203</u>                     |
| <b>Total revenues</b>                         | <u>227,203</u>           | <u>-</u>                 | <u>227,203</u>                     |
| <b>Expenditures/expenses</b>                  |                          |                          |                                    |
| Fire Protection:                              |                          |                          |                                    |
| Personnel services                            | 79,944                   | -                        | 79,944                             |
| Supplies                                      | 29,953                   | -                        | 29,953                             |
| Other services and charges                    | 45,133                   | -                        | 45,133                             |
| Depreciation                                  | -                        | 39,712                   | 39,712                             |
| Loss on sale of capital assets                | -                        | 900                      | 900                                |
|   | <u>155,030</u>           | <u>40,612</u>            | <u>195,642</u>                     |
| <b>Total expenditures/expenses</b>            | <u>155,030</u>           | <u>40,612</u>            | <u>195,642</u>                     |
| <b>Net change in fund balance/net assets</b>  | 72,173                   | (40,612)                 | 31,561                             |
| Fund balance/net assets, beginning of period  | <u>178,172</u>           | <u>441,926</u>           | <u>620,098</u>                     |
| <b>Fund balance/net assets, end of period</b> | <u><u>\$ 250,345</u></u> | <u><u>\$ 401,314</u></u> | <u><u>\$ 651,659</u></u>           |

The accompanying notes are an integral part of these financial statements.

**MID-MICHIGAN COMMUNITY FIRE BOARD**  
**GRATIOT AND MIDLAND COUNTIES, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the year ended June 30, 2008**

|                                    | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>            | <u>Over<br/>(Under)<br/>Budget</u> |
|------------------------------------|----------------------------|---------------------------|--------------------------|------------------------------------|
| <b>Revenues</b>                    |                            |                           |                          |                                    |
| Charges for services               | \$ 210,600                 | \$ 210,600                | \$ 210,600               | \$ -                               |
| Federal grant                      | -                          | -                         | 6,639                    | 6,639                              |
| State grant                        | -                          | -                         | 1,552                    | 1,552                              |
| Interest and rent                  | 3,800                      | 3,800                     | 5,688                    | 1,888                              |
| Donations                          | -                          | -                         | 2,686                    | 2,686                              |
| Other                              | <u>1,500</u>               | <u>1,500</u>              | <u>38</u>                | <u>(1,462)</u>                     |
| <b>Total revenues</b>              | <u>215,900</u>             | <u>215,900</u>            | <u>227,203</u>           | <u>11,303</u>                      |
| <b>Expenditures</b>                |                            |                           |                          |                                    |
| Fire Protection:                   |                            |                           |                          |                                    |
| Personnel services                 | 106,000                    | 106,000                   | 79,944                   | (26,056)                           |
| Supplies                           | 15,600                     | 15,600                    | 29,953                   | 14,353                             |
| Other services and charges         | 49,800                     | 49,800                    | 45,133                   | (4,667)                            |
| Capital outlay                     | <u>14,500</u>              | <u>14,500</u>             | <u>-</u>                 | <u>(14,500)</u>                    |
| Debt service:                      |                            |                           |                          |                                    |
| Principal                          | -                          | -                         | -                        | -                                  |
| Interest and fiscal charges        | <u>-</u>                   | <u>-</u>                  | <u>-</u>                 | <u>-</u>                           |
| <b>Total expenditures</b>          | <u>185,900</u>             | <u>185,900</u>            | <u>155,030</u>           | <u>(30,870)</u>                    |
| <b>Revenues over expenditures</b>  | 30,000                     | 30,000                    | 72,173                   | 42,173                             |
| <b>Other financing (uses)</b>      |                            |                           |                          |                                    |
| Transfers                          | <u>30,000</u>              | <u>30,000</u>             | <u>-</u>                 | <u>(30,000)</u>                    |
| <b>Net change in fund balance</b>  | 30,000                     | 30,000                    | 72,173                   | 42,173                             |
| Fund balance, beginning of period  | <u>178,172</u>             | <u>178,172</u>            | <u>178,172</u>           | <u>-</u>                           |
| <b>Fund balance, end of period</b> | <u><u>\$ 208,172</u></u>   | <u><u>\$ 208,172</u></u>  | <u><u>\$ 250,345</u></u> | <u><u>\$ 42,173</u></u>            |

The accompanying notes are an integral part of these financial statements.

# **MID-MICHIGAN COMMUNITY FIRE BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting entity**

The Mid-Michigan Community Fire Board ("Fire Board") was established April 1, 1982, for the purpose of providing fire protection to its local government members: the City of Saint Louis, and the Townships of Bethany, Pine River, and Jasper. The accompanying financial statements present the Fire Board's operations for the government as a whole.

The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

The Fire Board does not meet the criteria to be included in the financial statements of the creating governments because they do not have the requisite degree of oversight responsibility. In addition, there are no other governmental units' financial statements, for which the Fire Board has oversight responsibility, which should be included in the accompanying financial statements.

#### **B. Government-wide and fund financial statements**

As permitted by GASB Statement No. 34, the Fire Board uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The Fire Board's major fund, the General Fund, is reported in a separate column in the aforementioned financial statements.

#### **C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



# **MID-MICHIGAN COMMUNITY FIRE BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

### **D. Deposits and investments**

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts and certificates of deposit with an original maturity date less than 90 days from the original issue date.

### **E. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the statement of net assets. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Also, a repair or replacement costing in excess of \$7,500 and which extends the useful life of an asset by more than 10 years, shall meet the capitalization requirement. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# MID-MICHIGAN COMMUNITY FIRE BOARD

## NOTES TO FINANCIAL STATEMENTS

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Equipment is depreciated using the straight-line method over the following useful lives:

|                       |                |
|-----------------------|----------------|
| Land improvements     | 20 years       |
| Buildings             | 10 to 30 years |
| Machinery & equipment | 3 to 20 years  |
| Vehicles              | 7 years        |

### 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of differences between the governmental fund balance sheet and the statement of net assets

|                             |            |
|-----------------------------|------------|
| Fund Balance – General Fund | \$ 250,345 |
|-----------------------------|------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.

|  |                          |
|--|--------------------------|
| Cost of capital assets                       | 818,539                  |
| Accumulated depreciation                     | <u>(417,225)</u>         |
| <b>Net assets of governmental activities</b> | <b><u>\$ 651,659</u></b> |

# MID-MICHIGAN COMMUNITY FIRE BOARD

## NOTES TO FINANCIAL STATEMENTS

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- B. Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

Net change in fund balance – General Fund \$ 72,173

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Loss on sale of capital assets (900)

Depreciation expense (39,712)

**Change in net assets of governmental activities \$ 31,561**

### 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the activity level.

#### B. Excess of expenditures over appropriations

The General Fund expenditures exceeded appropriations at the legal level of budgetary control as follows:

|          | <u>Budget</u> | <u>Actual</u> | <u>Unfavorable<br/>Variance</u> |
|----------|---------------|---------------|---------------------------------|
| Supplies | \$ 15,600     | \$ 29,953     | \$ 14,353                       |

# MID-MICHIGAN COMMUNITY FIRE BOARD

## NOTES TO FINANCIAL STATEMENTS

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### 4. DEPOSITS AND INVESTMENTS

|  | <u>Carrying<br/>Amount</u> |
|--|----------------------------|
| Government-wide Financial Statement Captions |                            |
| Cash and cash equivalents                    | \$ 221,881                 |
| Restricted cash                              | <u>30,159</u>              |
| Total Cash and cash equivalents              | <u>\$ 252,040</u>          |
| Notes to the Financial Statements            |                            |
| Deposits                                     | <u>\$ 252,040</u>          |

Michigan law authorizes the Fire Board to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Banker's acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Fire Board's investment policy has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory investments.

# MID-MICHIGAN COMMUNITY FIRE BOARD

## NOTES TO FINANCIAL STATEMENTS

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### *Investment and deposit risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Fire Board does not have policies which are more restrictive than state law regarding interest rate risk.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Fire Board does not have policies which are more restrictive than state law regarding credit risk.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned. State law does not require and the Fire Board does not have a policy for deposit custodial credit risk. As of year-end \$159,292 of the Fire Board's bank balance of \$259,292 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fire Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Fire Board does not have a policy for investment custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk. The Fire Board's investment policy does not have specific limits in excess of state law on concentration of credit risk.

# MID-MICHIGAN COMMUNITY FIRE BOARD

## NOTES TO FINANCIAL STATEMENTS

### 5. CAPITAL ASSETS

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Disposals</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| <b>Governmental activities</b>                     |                              |                    |                  |                           |
| <b>Capital assets being depreciated:</b>           |                              |                    |                  |                           |
| Machinery and equipment                            | \$ 223,930                   | \$ -               | \$ (10,770)      | \$ 213,160                |
| Vehicles   | <u>605,379</u>               | <u>-</u>           | <u>-</u>         | <u>605,379</u>            |
| Total capital assets being depreciated             | <u>829,309</u>               | <u>-</u>           | <u>(10,770)</u>  | <u>818,539</u>            |
| <b>Less accumulated depreciation</b>               |                              |                    |                  |                           |
| Machinery and equipment                            | (117,820)                    | (18,460)           | 9,870            | (126,410)                 |
| Vehicles   | <u>(269,563)</u>             | <u>(21,252)</u>    | <u>-</u>         | <u>(290,815)</u>          |
| Total accumulated depreciation                     | <u>(387,383)</u>             | <u>(39,712)</u>    | <u>9,870</u>     | <u>(417,225)</u>          |
| <b>Capital assets being depreciated, net</b>       | <u>441,926</u>               | <u>(39,712)</u>    | <u>(900)</u>     | <u>401,314</u>            |
| <b>Governmental activities capital assets, net</b> | <u>\$ 441,926</u>            | <u>\$ (39,712)</u> | <u>\$ (900)</u>  | <u>\$ 401,314</u>         |

Depreciation expense was charged to the Fire Protection program of the Fire Board.

### 6. RISK MANAGEMENT

The Fire Board is exposed to various risks of loss related to property loss, torts, theft, damage and destruction of property, errors and omissions, employee injuries (workers compensation) and natural disasters. The Fire Board manages these risks by obtaining commercial insurance coverage for these types of claims through a policy held by the City of Saint Louis, Michigan. There have been no settlements that exceeded insurance coverage in the past three fiscal years.

# MID-MICHIGAN COMMUNITY FIRE BOARD

## NOTES TO FINANCIAL STATEMENTS

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### 7. MEMBER CONTRIBUTIONS

Participating members of the Fire Board make annual contributions based on the number of fire runs and the number of rescue runs. The contributions for fire runs is based on the proportion of each member's number of fire runs compared to the total fire runs for all entities during the four previous fiscal years. The rescue run contribution is based on the number of rescue runs made for each member for the previous fiscal year multiplied by a rate established by the Fire Board. The amount of contributions by each member for the fiscal year ended June 30, 2008, follows:

|                     |             | <u>Fire<br/>Runs</u> | <u>Rescue<br/>Runs</u> | <u>Total<br/>Contributions</u> |
|---------------------|-------------|----------------------|------------------------|--------------------------------|
| City of St. Louis   | 33%         | 55,470               | 14,800                 | \$ 70,270                      |
| Bethany Township    | 19%         | 36,980               | 2,600                  | 39,580                         |
| Jasper Township     | 25%         | 49,923               | 3,700                  | 53,623                         |
| Pine River Township | <u>23%</u>  | <u>42,527</u>        | <u>4,600</u>           | <u>47,127</u>                  |
| Total               | <u>100%</u> | <u>184,900</u>       | <u>25,700</u>          | <u>\$ 210,600</u>              |

\* \* \* \* \*